

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CHARTER TOWNSHIP OF MADISON	County LENAWEE
Fiscal Year End 12-31-2006	Opinion Date 01-19-2007	Date Audit Report Submitted to State May 3, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

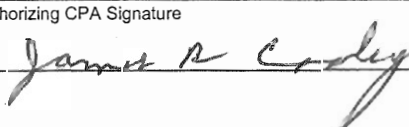
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) COOLEY HEHL WOHLGAMUTH & CARLTON CPA'S PLLC		Telephone Number (734) 241-7200		
Street Address ONE SOUTH MONROE STREET		City MONROE	State MI	Zip 48161
Authorizing CPA Signature 	Printed Name JAMES R. COOLEY		License Number 1101005761	

CHARTER TOWNSHIP OF MADISON

ANNUAL FINANCIAL REPORT

December 31, 2006

CHARTER TOWNSHIP OF MADISON

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Independent Auditor's Report

Board of Trustees
Charter Township of Madison
4008 S. Adrian Highway
Adrian, Michigan 49221

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Madison, Lenawee County, Michigan as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Madison, Lenawee County, Michigan management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Madison, Lenawee County, Michigan as of December 31, 2006, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 47 through 57, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Trustees
Charter Township of Madison

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Madison, Lenawee County, Michigan basic financial statements. The combining agency fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining agency fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cooley Hall Wadsworth & Condon, PLLC

January 19, 2007

CHARTER TOWNSHIP OF MADISON

Management's Discussion and Analysis Year Ended December 31, 2006

As management of the Charter Township of Madison, Lenawee County, Michigan, we offer readers of the Township's financial statements this narrative overview and analysis of the governmental and business-type activities of the Township for the year ended December 31, 2006. This information should be taken into consideration before reading the Township's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit which consist of the financial statements and other supplementary information that presents all the Township's revenues and expenditures by program for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Project Fund, and Enterprise Fund.

The Government Accounting Standards Board (GASB) adopted this report in *Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June, 2000.

Financial Highlights

- ▶ The assets of the Township exceeded its liabilities at the close of the most recent year by \$18,036,736 (net assets). Of this amount, \$2,363,859 (unrestricted net assets) may be used to meet the government's ongoing obligations to its' citizens and creditors.
- ▶ The government's total net assets increased by \$653,914.
- ▶ At the close of the year, the Township's governmental funds reported combined ending fund balances of \$1,624,117, an increase of \$622,179 in comparison with the prior year. Approximately 98 percent of this amount, or \$1,592,187, is available for spending at the government's discretion (unreserved fund balance).
- ▶ At the end of the year, the unreserved fund balance for the general fund was \$632,841 or 61 percent of total general fund expenditures.
- ▶ The Township's total bonded debt decreased by \$574,802 during the year. No new debt was issued.

Overview of the Financial Statements

This report is organized so that the reader can understand the Charter Township of Madison financially as a whole. This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains Required and Other Supplementary Information in addition to the basic financial statements themselves.

CHARTER TOWNSHIP OF MADISON

Management's Discussion and Analysis Year Ended December 31, 2006

Government-Wide Financial Statements

The Government-Wide Financial Statements (pages 11 through 14), which appear first in the Township's financial statements, report information on the Township as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The Statement of Net Assets presents information on all the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating. The Statement of Activities presents information showing how the government's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus the revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (i.e., earned but unused vacation leave). The relationship between revenues and expenses indicates the Township's operating results. However, the Township's goal is to provide services to our residents, not to generate profits as commercial entities do. One must consider many other non financial factors, such as the quality of the services provided and the safety of the public to assess the overall health of the Township.

Both of the government-wide statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. These functions can be divided into two following categories:

- ▶ Governmental activities which encompass all the Township's services, including general government services, public safety, and public works. Property taxes, state grants, charges for services, and capital contributions finance most of these activities.
- ▶ Business-type activities which include sanitary sewer and water distribution operations.

The Government-Wide financial and fund financial statements include not only the Township itself (known as the primary government), but also a separate legal entity - the Downtown Development Authority - for which the Township is financially accountable. Because the DDA is considered part of the Township's operations, its data is combined with the primary government as a blended component unit.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State Law and by bond covenants. However, the Township establishes most of its funds to control and manage money for particular purposes or to show that it is properly using revenues. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - All of the Township's governmental funds are used to account for the same functions as governmental activities in the Government-Wide financial statements. However, unlike the Government-Wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. They are reported using the modified accrual method, which measures cash and all other financial assets that can be converted to cash. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

CHARTER TOWNSHIP OF MADISON

Management's Discussion and Analysis Year Ended December 31, 2006

Because the focus of the governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are provided for the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances, on pages 17 and 20 respectively, to facilitate this comparison between governmental funds and governmental activities.

The Township maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, DDA, building department, fire department building and apparatus, Stone Cove Point debt service, and road construction funds. All of these governmental funds are considered to be and are presented as major funds.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 15 through 20 of this report.

Proprietary Fund - The Township maintains a proprietary fund to account for its sanitary sewer and water distribution operations (Enterprise Fund). Enterprise funds are used to report the same functions presented as business-type activities in the Government-Wide Financial Statements.

Proprietary funds provide the same type of information as Government-Wide Financial Statements, only in more detail. The proprietary fund financial statements present information on the Township's sewer and water operations as one major fund.

The basic Proprietary Fund Financial Statements can be found on pages 21 through 24 of this report.

Fiduciary Funds - Agency funds are used to account for assets held by the Township as an agent for the collection and disbursement of property taxes and escrow accounts. Fiduciary funds are not reflected in the Government-wide financial statements because the resources of those funds are not available to support the Township's own operations. The accounting used for fiduciary funds is much like that used for proprietary funds.

The only basic fund financial statement required to be reported can be found on page 25 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The notes to the financial statements can be found on pages 26 through 46.

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides a long-term perspective of the Township's financial position. As indicated earlier and on Table 1 of the following page assets exceeded liabilities by \$18,036,736 at the close of the most recent year.

By far the largest portion of the Township's net assets (62.5 percent) reflects its investment in capital assets (e.g., land, buildings, systems, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities.

CHARTER TOWNSHIP OF MADISON

Management's Discussion and Analysis Year Ended December 31, 2006

As also depicted in Table 1, the Township's unrestricted net assets totaled \$2,363,859. This amount represents the accumulated results of all past years operations. The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties. It means that if we had to pay all of our bills off today, including all of our noncapital liabilities we could with our current resources. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this years' operations for the Township as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for the calender year ended December 31, 2006.

Table 1: **Condensed Statement of Net Assets**
December 31, 2006 and 2005

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current assets	\$1,814,358	\$2,004,813	\$1,211,409	\$1,154,233	\$3,025,767	\$3,159,046
Restricted assets	0	0	3,931,163	4,148,345	3,931,163	4,148,345
Capital and other noncurrent assets, net	1,520,337	1,482,956	15,538,502	16,054,304	17,058,839	17,537,260
Total Assets	3,334,695	3,487,769	20,681,074	21,356,882	24,015,769	24,844,651
Current and other liabilities	158,018	1,014,274	609,135	802,638	767,153	1,816,912
Long-term liabilities	41,940	0	5,169,940	5,644,918	5,211,880	5,644,918
Total Liabilities	199,958	1,014,274	5,779,075	6,447,556	5,979,033	7,461,830
Net Assets						
Invested in capital assets, net of related debt	1,520,337	1,482,956	9,748,528	9,743,612	11,268,865	11,226,568
Invested in capacity, net of related debt		0	142,431	94,553	142,431	94,553
Restricted for:						
Prepaid items	22,506	64,233	0	0	22,506	64,233
Fixed asset replacement	0	0	304,875	851,900	304,875	851,900
Debt service and construction	3,037	1,841	3,931,163	4,148,345	3,934,200	4,150,186
Unrestricted	1,588,857	924,465	775,002	70,917	2,363,859	995,382
Total Net Assets	\$3,134,737	\$2,473,495	\$14,901,999	\$14,909,327	\$18,036,736	\$17,382,822

At the end of the year the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The government's net assets increased by \$653,914 during the calender year ended. This increase is primarily due to captured taxes in the Downtown Development Authority. A significant portion of this amount, which has not yet been determined, will have to be paid out to the schools as excess captured taxes.

As indicated in Table 2, the cost of all governmental activities this year was \$1.569 million. Of this amount \$0.486 million was subsidized with revenue generated from charges for services, with the remaining costs financed with general revenues.

CHARTER TOWNSHIP OF MADISON

Management's Discussion and Analysis Year Ended December 31, 2006

The Township experienced an increase in net assets of governmental activities of \$661,242. As previously indicated, a significant amount from the DDA fund was paid to Madison Schools and the County as a result of excess captured taxes. This factor had a significant negative impact in the change in net assets for governmental activities.

Table 2:

Changes in Net Assets Year Ended December 31, 2006 and 2005

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues						
Charges for services	\$486,963	\$420,295	\$1,173,423	\$1,018,222	\$1,660,386	\$1,438,517
Operating grants and contributions	0	0	185,601	251,740	185,601	251,740
Capital grants and contributions	0	52,148	0	0	0	52,148
	486,963	472,443	1,359,024	1,269,962	1,845,987	1,742,405
General revenues						
Property taxes	1,394,131	1,287,875	0	0	1,394,131	1,287,875
State grants (revenue sharing)	495,951	488,293	0	0	495,951	488,293
Interest	64,056	50,583	219,534	230,250	283,590	280,833
Gain on sale of assets	0	29,749	0	0	0	29,749
	1,954,138	1,856,500	219,534	230,250	2,173,672	2,086,750
Total Revenues	2,441,101	2,328,943	1,578,558	1,500,212	4,019,659	3,829,155
Functions/Program Expenses						
Legislative	27,942	25,692	0	0	27,942	25,692
General government	159,261	145,282	0	0	159,261	145,282
Public safety	841,649	787,971	0	0	841,649	787,971
Public works	56,252	57,166	0	0	56,252	57,166
Other functions	65,063	119,110	0	0	65,063	119,110
Capital improvements	367,643	293,562	0	0	367,643	293,562
Insurance	50,075	48,249	0	0	50,075	48,249
Interest on long-term debt	2,049	2,193	0	0	2,049	2,193
Water department	0	0	506,214	611,598	506,214	611,598
Sewer department	0	0	1,289,597	1,373,202	1,289,597	1,373,202
Total Expenses	1,569,934	1,479,225	1,795,811	1,984,800	3,365,745	3,464,025
Increase (Decrease) in Net						
Assets Before Transfers	871,167	849,718	(217,253)	(484,588)	653,914	365,130
Transfers to other governments	0	(862,282)	0	0	(862,282)	0
Transfers	(209,925)	(239,141)	209,925	239,141	0	0
Increase (Decrease) in						
Net Assets	\$661,242	(\$251,705)	(\$7,328)	(\$245,447)	\$653,914	(\$497,152)

CHARTER TOWNSHIP OF MADISON

Management's Discussion and Analysis *Year Ended December 31, 2006*

Fund Financial Analysis

As noted earlier, the Township uses funds to help control and manage money for specific purposes. Looking at funds helps the reader consider whether the Charter Township of Madison is being held accountable for resources taxpayers and others provide to it and may give more insight into the Township's overall financial health.

As the Township completed this year, governmental funds reported a combined balance of \$1.624 million, which is an increase of \$622,179 from last year. The changes by fund, of which all were considered major funds, are as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Retirement Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
Fund balances – Beginning of year	\$556,718	\$ 450,852	\$9,910	\$(15,542)	\$ 1,001,938
Increase (decrease)	<u>98,629</u>	<u>594,226</u>	<u>(486)</u>	<u>(70,190)</u>	<u>622,179</u>
Fund balances – (deficit)	<u>\$655,347</u>	<u>\$1,045,078</u>	<u>\$9,424</u>	<u>\$(85,732)</u>	<u>\$1,624,117</u>

The Township's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities of the General Fund.

Revenues	<u>December 31, 2006</u>	<u>December 31, 2005</u>	<u>Percent Change</u>
Property taxes	\$ 193,793	\$ 173,665	11.59%
Licenses and permits	6,628	5,876	12.80
State revenue sharing	495,951	488,293	1.57
Charges for services	8,354	11,479	(27.22)
Interest and rentals	25,853	21,685	19.22
Ambulance	362,279	287,866	25.85
Other	<u>42,439</u>	<u>43,836</u>	(3.19)
Total Revenues	<u>\$1,135,297</u>	<u>\$1,032,700</u>	9.93%

CHARTER TOWNSHIP OF MADISON

Management's Discussion and Analysis *Year Ended December 31, 2006*

Fund Financial Analysis - Concluded

Expenditures	December 31, 2006	December 31, 2005	Percent Change
Legislative	\$ 27,942	\$ 25,692	8.76%
General government	153,759	145,282	5.83
Public safety	683,741	674,663	1.35
Public works	56,252	57,166	(1.60)
Other functions	64,899	61,282	5.90
Insurance	<u>50,075</u>	<u>48,249</u>	3.78
Total Expenditures	<u>\$1,036,668</u>	<u>\$1,012,334</u>	2.40%

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires the Charter Township Board to adopt the original budget prior to January 1, the start of the fiscal year. Over the course of the year the Township reviewed its budget but did not amend or revise it for any unexpected changes in revenues or expenditures. State law requires that the budget be amended to ensure that the expenditures do not exceed appropriations. A schedule illustrating the Township's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these statements. As already mentioned, there were no revisions to the budget during the year.

Long-term Contract, Capital Assets and Debt Administration

As of December 31, 2006, the Township had \$3.2 million invested in a long term contract with Lenawee County and \$13.7 million invested in a broad range of capital assets, including, land, building and improvements, machinery and equipment, vehicles, and water and sewer systems. Additions which totaled \$138,861 included a new fire truck and fire fighting equipment. No new debt was issued for these additions. Depreciation this year totaled \$104,480 for governmental activities and \$426,949 for business-type activities. Details regarding capital assets is included in Note 7 to the financial statements.

Debt

At December 31, 2006, the Township's debt consisted mainly of contracts and general obligation for water and sewage disposal system construction. Total debt outstanding was \$5,698,652 as of December 31, 2006. The repayment of debt will be financed partially by special assessments administered through the Township's Tax Collection Agency Fund which collects special assessments for the Township's Enterprise Fund. A detailed summary of changes in long-term debt is located in Note 8 to the financial statements.

CHARTER TOWNSHIP OF MADISON

Management's Discussion and Analysis Year Ended December 31, 2006

Development of the 2007 Fiscal Year Budget

Our elected officials considered many factors when setting the Township's 2007 fiscal year budget. Based primarily on the last fiscal year's spending patterns, thought is also given to factors affecting the budget, like decreased revenue sharing from the state, since it accounts for over half of our General Fund revenues. The Township has taken several measures to help control the rising costs of governmental services. We will continue to watch our budget closely as we continue to upgrade our public safety programs and roads using money received from property taxes. To offset the ever increasing costs of the operation of the public safety divisions, adjustments have been made in the charges for ambulance services, both for services within the Township and services to the surrounding units of government.

Economic Factors

A new TSC Store is being built on property off US 223, behind K-Mart. The Developer is trying to get a restaurant on the adjoining property. A new Quizno's Sub and Bank of Lenawee are going to be located in the Kohl's Shopping Center on US 223 and Treat Hwy. Countryside Estates has been bought out of bankruptcy and the new owners are planning on home construction this spring. The approved plat calls for approximately 300 homes.

As the Township continues to undergo new development, it will collect water and sewer connection fees to be applied against its outstanding debt in the water and sewer fund. The Township completed a rate study to provide a more fair and uniform rate structure for its water and sewer customers. The rate study contracted with Progressive resulted in slight increases in water and sewer rates overall in 2005 and 2006. The decline in building activity by major developers has caused an indefinite postponement of a major extension of sewer service to the western part of the Township.

Contacting the Charter Township of Madison

This financial report is designed to provide the Township's citizens, taxpayers, customers, investors, and creditors with a general overview of the Townships finances to demonstrate its accountability for the money it receives. If you have any questions about this report or any of its information, contact the Charter Township of Madison Clerk, 4008 South Adrian Highway, Adrian, MI 49221. Our phone number is 517-263-9313.

CHARTER TOWNSHIP OF MADISON

Statement of Net Assets December 31, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$1,226,435	\$446,247	\$1,672,682
Investments	261,247	504,885	766,132
Receivables:			
Accounts	92,015	256,472	348,487
Special assessments	41,848	0	41,848
Interest receivable	2,680	3,805	6,485
Due from other governments	167,627	0	167,627
Prepaid expenses	22,506	0	22,506
Total Current Assets	1,814,358	1,211,409	3,025,767
Restricted assets			
Cash and money management accounts	0	121,380	121,380
Cash with fiscal agent	0	6,706	6,706
Bond financing costs	0	3,272	3,272
Special assessments receivable	0	3,799,805	3,799,805
Total Restricted Assets	0	3,931,163	3,931,163
Noncurrent assets			
Prepaid capacity contract (net)	0	3,327,599	3,327,599
Capital assets:			
Nondepreciated	237,401	0	237,401
Depreciated (net)	1,282,936	12,210,903	13,493,839
Total Non Current Assets	1,520,337	15,538,502	17,058,839
Total Net Assets	\$3,334,695	\$20,681,074	\$24,015,769

See accompanying notes to the basic financial statements

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities			
Accounts payable	\$14,228	\$46,360	\$60,588
Accrued wages	32,446	2,585	35,031
Other liabilities	23,735	2,065	25,800
Accrued compensated absences	3,330	0	3,330
Accrued interest	0	52,888	52,888
Internal balances	(26,708)	26,708	0
Deferred revenue	96,297	0	96,297
Due to other governments	11,476	926	12,402
Current portion of long-term debt net of related discount	3,214	477,603	480,817
Total Current Liabilities	158,018	609,135	767,153
Noncurrent liabilities			
Bonds and notes payable(net of related discount)	41,940	5,169,940	5,211,880
Total Liabilities	199,958	5,779,075	5,979,033
NET ASSETS			
Invested in capital assets net of related debt	1,520,337	9,748,528	11,268,865
Invested in capacity net of related debt	0	142,431	142,431
Restricted for:			
Prepaid items	22,506	0	22,506
Fixed asset replacement	0	304,875	304,875
Debt service and construction	3,037	3,931,163	3,934,200
Unrestricted	1,588,857	775,002	2,363,859
Total Net Assets	3,134,737	14,901,999	18,036,736
Total Liabilities and Net Assets	\$3,334,695	\$20,681,074	\$24,015,769

CHARTER TOWNSHIP OF MADISON

Statement of Activities Year Ended December 31, 2006

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Legislative	\$27,942	\$0	\$0	\$0
General government	159,261	270	0	0
Public safety	841,649	466,011	0	0
Public works	56,252	20,682	0	0
Other functions	65,063	0	0	0
Capital improvements	367,643	0	0	0
Insurance	50,075	0	0	0
Interest on long-term debt	2,049	0	0	0
Total Governmental Activities	1,569,934	486,963	0	0
Business-Type Activities:				
Water Department	506,214	330,261	69,268	0
Sewage Department	1,289,597	843,162	116,333	0
Total Business-Type Activities	1,795,811	1,173,423	185,601	0
Total Primary Government	\$3,365,745	\$1,660,386	\$185,601	\$0

General revenues(expenses):

Taxes

Property taxes

Grants and contributions not restricted:

Revenue sharing

Interest

Transfers

Total General Revenues and Transfers

Change in net assets

Net Assets, January 1, 2006

Net Assets, December 31, 2006

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
(\$27,942)	\$0	(\$27,942)
(158,991)	0	(158,991)
(375,638)	0	(375,638)
(35,570)	0	(35,570)
(65,063)	0	(65,063)
(367,643)	0	(367,643)
(50,075)	0	(50,075)
(2,049)	0	(2,049)
(1,082,971)	0	(1,082,971)
0	(106,685)	(106,685)
0	(330,102)	(330,102)
0	(436,787)	(436,787)
(1,082,971)	(436,787)	(1,519,758)
1,394,131	0	1,394,131
495,951	0	495,951
64,056	219,534	283,590
(209,925)	209,925	0
1,744,213	429,459	2,173,672
661,242	(7,328)	653,914
2,473,495	14,909,327	17,382,822
<u>\$3,134,737</u>	<u>\$14,901,999</u>	<u>\$18,036,736</u>

CHARTER TOWNSHIP OF MADISON

Governmental Funds Balance Sheet December 31, 2006

	General Fund	Downtown Development Authority	Building Department Fund
Assets			
Cash and cash equivalents	\$343,267	\$550,178	\$48,926
Investments	50,000	211,247	0
Receivables:			
Accounts, net	92,015	0	0
Special assessments	0	0	0
Interest receivable	464	2,216	0
Due from other funds	88,424	0	0
Due from other governments	167,627	0	0
Prepaid expenses	22,506	0	0
Total Assets	\$764,303	\$763,641	\$48,926
Liabilities			
Accounts payable/retainage	\$11,206	\$0	\$1,701
Accrued wages	32,446	0	0
Due to other funds	0	0	11,716
Due to other governments	11,476	0	0
Other liabilities	23,735	0	0
Deferred revenues	30,093	0	0
Total Liabilities	108,956	0	13,417
Fund Balance			
Reserved for prepaid items	22,506	0	0
Reserved for debt service	0	0	0
Unreserved	632,841	763,641	35,509
Total Fund Balances	655,347	763,641	35,509
Total Liabilities and Fund Balances	\$764,303	\$763,641	\$48,926

See accompanying notes to the basic financial statements

Fire Building and Apparatus Fund	Stone Cove Pt Debt Service Fund	Road Construction Fund	Total Governmental Funds
\$276,021	\$6,343	\$1,700	\$1,226,435
0	0	0	261,247
0	0	0	92,015
0	41,848	0	41,848
0	0	0	2,680
0	0	0	88,424
0	0	0	167,627
0	0	0	22,506
<u>\$276,021</u>	<u>\$48,191</u>	<u>\$1,700</u>	<u>\$1,902,782</u>
\$0	\$0	\$1,321	\$14,228
0	0	0	32,446
0	0	50,000	61,716
0	0	0	11,476
0	0	0	23,735
30,093	38,767	36,111	135,064
30,093	38,767	87,432	278,665
0	0	0	22,506
0	9,424	0	9,424
245,928	0	(85,732)	1,592,187
<u>245,928</u>	<u>9,424</u>	<u>(85,732)</u>	<u>1,624,117</u>
<u>\$276,021</u>	<u>\$48,191</u>	<u>\$1,700</u>	<u>\$1,902,782</u>

CHARTER TOWNSHIP OF MADISON

*Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Assets
December 31, 2006*

Total Fund Balances - Governmental Funds

\$1,624,117

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Cost of capital assets	\$2,552,608	
Accumulated depreciation	<u>(1,032,271)</u>	
		1,520,337

Deferred Revenue is recognized as special assessments revenue on a modified accrual basis as money is collected in the governmental funds. However in the statement of net assets it is recognized as revenue in the year earned or when the special assessment project was completed.

38,767

Long-term liabilities including accrued compensated absences and long-term general obligations are not due and payable in the current year and therefore are not reported in the governmental funds.

Compensated absences	(3,330)	
General obligations	<u>(45,154)</u>	
		(48,484)

Total Net Assets - Governmental Activities

\$3,134,737

See accompanying notes to the basic financial statements

CHARTER TOWNSHIP OF MADISON

Statement of Revenues, Expenditures and Changes in Fund Balances *Governmental Funds* *Year Ended December 31, 2006*

	General Fund	Downtown Development Authority	Building Department Fund
Revenues:			
Taxes	\$193,793	\$804,668	\$0
Special assessments	0	0	0
Licenses and permits	6,628	0	62,400
State revenue sharing	495,951	0	0
Charges for services	8,354	0	0
Fines and forfeits	21,757	0	0
Interest and rentals	25,853	23,209	1,138
Ambulance services	362,279	0	0
Other revenues	20,682	0	0
Total Revenues	1,135,297	827,877	63,538
Expenditures:			
Legislative	27,942	0	0
General government	153,759	0	0
Public safety	683,741	0	61,930
Public works	56,252	0	0
Other functions	64,899	164	0
Capital outlay	0	27,600	0
Insurance	50,075	0	0
Debt service	0	0	0
Total Expenditures	1,036,668	27,764	61,930
Excess (Deficiency) of Revenues over Expenditures	98,629	800,113	1,608
Other Financing Sources (Uses):			
Operating transfers (out)	0	(209,925)	0
Total Other Financing Sources (Uses)	0	(209,925)	0
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	98,629	590,188	1,608
Fund Balances - Beginning of Year	556,718	173,453	33,901
Fund Balances - End of Year	<u>\$655,347</u>	<u>\$763,641</u>	<u>\$35,509</u>

See accompanying notes to the basic financial statements

Fire Building and Apparatus Fund	Stone Cove Pt Debt Service Fund	Road Construction Fund	Total Governmental Funds
\$179,856	\$0	\$215,814	\$1,394,131
0	2,169	0	2,169
0	0	4,593	73,621
0	0	0	495,951
0	0	0	8,354
0	0	0	21,757
7,253	2,975	3,628	64,056
0	0	0	362,279
0	0	0	20,682
187,109	5,144	224,035	2,443,000
0	0	0	27,942
0	0	0	153,759
0	0	0	745,671
0	0	0	56,252
0	0	0	65,063
184,679	0	294,225	506,504
0	0	0	50,075
0	5,630	0	5,630
184,679	5,630	294,225	1,610,896
2,430	(486)	(70,190)	832,104
0	0	0	(209,925)
0	0	0	(209,925)
2,430	(486)	(70,190)	622,179
243,498	9,910	(15,542)	1,001,938
<u>\$245,928</u>	<u>\$9,424</u>	<u>(\$85,732)</u>	<u>\$1,624,117</u>

CHARTER TOWNSHIP OF MADISON

*Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended December 31, 2006*

Net Change in Fund Balances - Total Governmental Funds	\$622,179
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:	
Expenditures for capital assets	\$138,861
Less current year depreciation	<u>(101,480)</u>
	37,381
Deferred revenue is recognized as revenue in the governmental funds as cash is received on a modified accrual basis. However, under the full accrual basis of accounting, special assessment revenue is recognized in the year earned.	(1,899)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment of bonds reduces long-term liabilities in the Statement of Net Assets.	3,581
	<u><u>\$661,242</u></u>
Change in Net Assets of Governmental Activities	\$661,242

See accompanying notes to the basic financial statements

CHARTER TOWNSHIP OF MADISON*Statement of Net Assets
Proprietary Fund
December 31, 2006*

	Business-type Activities Enterprise Fund
Assets	
Current Assets:	
Cash and cash equivalents	\$446,247
Investments	504,885
Accounts receivable	256,472
Interest receivable	3,805
Due from other funds	50,000
Total Current Assets	1,261,409
Restricted Assets:	
Construction:	
Cash with fiscal agent	6,706
Debt retirement:	
Cash	121,380
Bond financing costs(net of amortization)	3,272
Special assessments receivable	3,799,805
Total Restricted Assets	3,931,163
Noncurrent Assets:	
Intangible Assets:	
Lenawee County Sewage Disposal System capacity contract	3,533,733
Less: Accumulated amortization	206,134
Total Intangible Assets	3,327,599
Capital Assets	19,654,953
Less: Allowance for depreciation	7,444,050
Total Capital Assets	12,210,903
Total Noncurrent Assets	15,538,502
Total Assets	\$20,731,074

See accompanying notes to the basic financial statements

	Business-type Activities Enterprise Fund
Liabilities	
Current Liabilities (payable from current assets):	
Accounts payable	\$46,360
Deposit payable	2,065
Accrued payroll	2,585
Accrued interest	52,888
Due to other governments	926
Due to other funds	76,708
Total Current Liabilities	181,532
Current Liabilities (payable from restricted assets):	
Bonds payable - water	35,000
Contract payable - water(net of \$2,625 discount)	112,375
Contract payable - water	190,000
Contract payable - sewer	140,228
Total Current Liabilities (payable from restricted assets)	477,603
Noncurrent Liabilities (net of current portion):	
Bonds payable - water	225,000
Contract payable - water	1,900,000
Contract payable - sewer	3,044,940
Total Noncurrent Liabilities (net of current portion)	5,169,940
Total Liabilities	5,829,075
Net Assets	
Invested in capital assets(net of related debt)	9,748,528
Invested in sewer capacity(net of related debt)	142,431
Restricted:	
Construction	6,706
Debt Service	3,924,457
Sewer system replacement	304,875
Unrestricted	775,002
Total Net Assets	14,901,999
Total Liabilities and Net Assets	\$20,731,074

CHARTER TOWNSHIP OF MADISON

Statement of Revenues, Expenses and Changes in Net Assets Proprietary Funds Year Ended December 31, 2006

	Business-type Activities - Enterprise Funds		
	Water Department	Sewer Department	Total
Operating Revenues:			
Charges for services	\$327,962	\$840,898	\$1,168,860
Other revenue	2,299	2,264	4,563
Total Operating Revenues	330,261	843,162	1,173,423
Operating Expenses:			
Wages	52,732	52,732	105,464
Employee benefits	27,304	27,304	54,608
Transmission and distribution	41,126	650,050	691,176
Office expense	108	448	556
Professional fees	5,731	91,020	96,751
Insurance	7,977	7,977	15,954
Utilities	18,558	17,973	36,531
Vehicle expense	2,915	2,350	5,265
Miscellaneous	8,942	20	8,962
Depreciation	197,929	229,020	426,949
Amortization	13,087	88,343	101,430
Total Operating Expenses	376,409	1,167,237	1,543,646
Net Operating Income (Loss)	(46,148)	(324,075)	(370,223)
Non-Operating Revenues (Expenses):			
Interest income	101,441	118,093	219,534
Interest and fiscal charges	(129,805)	(122,360)	(252,165)
Total Non-Operating Revenues (Expenses)	(28,364)	(4,267)	(32,631)
Income (loss) before contributions and transfers	(74,512)	(328,342)	(402,854)
Capital contributions	69,268	116,333	185,601
Transfers from other funds	209,925	0	209,925
Change in Net Assets	204,681	(212,009)	(7,328)
Net Assets, Beginning of year	5,616,138	9,293,189	14,909,327
Net Assets, End of year	\$5,820,819	\$9,081,180	\$14,901,999

See accompanying notes to the basic financial statements

CHARTER TOWNSHIP OF MADISON

Statement of Cash Flows Proprietary Funds Year Ended December 31, 2006

	Business-type Activities Enterprise Fund
Cash Flows From Operating Activities	
Cash received from customers	\$1,130,383
Cash paid to suppliers	(950,539)
Cash paid to employees	(105,683)
Water and sewer fund expenses paid out of the General Fund	4,186
Net cash provided by operating activities	78,347
Cash Flows From Noncapital Financing Activities	
Transfers from other funds	209,925
Loan to Road Construction Fund	(50,000)
Net cash provided by Noncapital Financing activities	159,925
Cash Flows From Capital and Related Financing Activities	
Connection fees and special assessments collected	366,486
Payments for Lenawee sewage disposal system capacity contract	(136,221)
Principal payments on contracts and bonds payable	(432,375)
Interest payments on long term debt	(264,513)
Net cash (used) by capital and related financing activities	(466,623)
Cash Flows From Investing Activities	
Interest income	218,473
Purchase of investments	(200,000)
Maturities of investments	207,713
Net cash provided by investing activities	226,186
Net increase (decrease) in cash and cash equivalents	(2,165)
Cash and cash equivalents at beginning of year	576,498
Cash and cash equivalents at end of year	\$574,333
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income (loss)	(\$370,223)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	426,949
Amortization	101,430
Changes in assets and liabilities:	
Receivables - net of allowances	(43,040)
Reductions to construction in progress	510
Accounts payable	(42,430)
Accrued payroll	(217)
Due to other governments	1,182
Due to other funds	4,186
Net cash provided by operating activities	\$78,347
See accompanying notes to the basic financial statements	

CHARTER TOWNSHIP OF MADISON

Statement of Assets and Liabilities *Agency Funds* *December 31, 2006*

	Total Agency Funds
ASSETS	
Cash in bank	\$640,781
Taxes receivable	2,155,045
Total Assets	<u>\$2,795,826</u>
LIABILITIES	
Performance bond payable	\$31,090
Due to taxing units	2,764,736
Total Liabilities	<u>\$2,795,826</u>

See accompanying notes to the basic financial statements

CHARTER TOWNSHIP OF MADISON

*Notes to Financial Statements
Year Ended December 31, 2006*

Note 1 Description of the Township and Reporting Entity

The Township operates under a locally elected seven member Board form of government. The Township provides the following services: public safety (fire protection, police, and ambulance service), road construction, cemetery care, public improvements, planning and zoning, construction code inspections, water and sewer, and general administrative services.

Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 "*The Financial Reporting Entity*," these financial statements present the Charter Township of Madison (the primary government). The criteria established by the GASB for determining the reporting entity includes fiscal dependency and whether the financial statements would be misleading if the data were not included.

Blended Component Unit

Downtown Development Authority

The Downtown Development Authority (DDA) is a legally separate entity created by the Township for the purpose of financing the construction of a municipal water system within the DDA district. Because the DDA is considered part of the government operations its data is combined with the data of the primary government.

Note 2 Summary of Significant Accounting Policies

The financial statements of the Charter Township of Madison have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The following are more significant of the Township's accounting policies.

A. Government-Wide and Fund Financial Statements

The Government-Wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of inter-fund activity has been removed from these statements. Governmental activities which normally are supported by general government revenues (i.e., property taxes, revenue sharing, fines, permits, and charges) and intergovernmental revenues are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by the related program revenues, operating and capital grants. *Direct expenses* are those that are clearly identifiable with a specific function or business-type activity. *Program revenues* must be directly associated with the function or business-type activity. Program revenues include 1) fines and forfeitures, licenses and permits fees, special assessments, and charges for services and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Separate financial statements are provided for governmental funds and proprietary funds. Major governmental funds are reported as separate columns in the fund financial statements.

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements
Year Ended December 31, 2006

Note 2

Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Government-Wide financial statements (statement of net assets and statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to claims and judgments, are recorded only when payment is due.

On the governmental funds statements, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The basic financial statements include both Government-Wide (based in the Township as a whole) and fund financial statements. While the previous model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the Township as a whole or major individual funds (within the individual fund financial statements). Both the Government-Wide and fund financial statements categorize activities as either governmental or business-type activities.

In the Government-Wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The Township has elected to treat all of its funds as major funds and accordingly, reports them all in the fund financial statements.

The Township reports the following major governmental funds:

General Fund

The General Fund is the primary operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Downtown Development Authority

The Downtown Development Authority is used to account for tax increment financing revenues designated for the planned and orderly revitalization of the Township's downtown business district. Because the activity of the fund is an integral part of the Township's operations it is not separately reported as a component unit but with the activities of the primary government.

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements
Year Ended December 31, 2006

Note 2

Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Building Department Fund

The Building Department Fund is used to account for all revenues collected from building, mechanical, electrical, and plumbing permit fees that are restricted to enforcement of the Township's construction ordinances.

Fire Building and Apparatus Fund

The Fire Building and Apparatus Fund accounts for revenue from the Township's tax collections to be used for fire protection or replacement of equipment.

Stone Cove Point Debt Service Fund

The Stone Cove Point Debt Service Fund is used to account the accumulation of resources for, and the payment of, principal, interest, and related costs associated with the Township's long-term obligations.

Road Construction Fund

The Road Construction Fund is used to account for the Township's tax collections used for the construction of roads.

The Township reports the following major proprietary fund:

Enterprise Fund

The Enterprise Fund is used to account for the operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is financed or recovered primarily through user charges, or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water and Sewage Disposal Fund is the only Enterprise Fund in this report.

In accordance with GASB Statement 20, the Township has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewage disposal fund are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, amortization, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Additionally, the Township reports the following fund types:

CHARTER TOWNSHIP OF MADISON

*Notes to Financial Statements
Year Ended December 31, 2006*

Note 2

Summary of Significant Accounting Policies (Concluded)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Agency Funds

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. These funds are reported in the fund financial statements only because they do not report resources under the control of the Township. The fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Township to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

D. Assets, Liabilities, and Net Assets

Cash and Cash Equivalents

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and temporary investments with maturities of three months or less from the date of acquisition.

Investments

In accordance with GASB Statement No. 31, investments are recorded at fair value.

Due From Other Governments

Amounts due from other governments include amounts due from grantors for specific program and capital projects. Program grants and capital grants for fixed assets are recorded as receivables and revenues at the time the reimbursable project costs are incurred. Revenues received in advance of the project costs being incurred as deferred.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Proprietary Funds, because of certain bond covenants, are required to establish and maintain prescribed amounts of resources, such as cash, that can be used only to service outstanding debt.

Intangible Assets

Intangible assets acquired as a result of contract provisions are reported in the business type activities column in the Government-Wide financial statements. Intangible assets that are identifiable, are recorded at their historical cost of development or acquisition, and amortized based on their estimated useful lives not to exceed 40 years. Amortization of intangible assets is charged as a program expense in the statement of activities and as an operating expense in the proprietary fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the Government-Wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of at least \$3,000 and an estimated useful life in excess of two years.

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2006

Note 2 Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets (Continued)

Capital Assets (Concluded)

These assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of the normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phases of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the year, no interest was capitalized.

Depreciation of all exhaustible capital assets used by the Township is charged as an expense against its various functions. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

	<u>Years</u>
Land improvements	15
Building and building improvements	15-75
Police vehicles	2-3
Fire vehicles	10-20
Ambulance vehicles	10
Public safety equipment	5-20
Township office equipment	5-10

Interfund Balances

On the fund financial statements, receivables and payables resulting from short term interfund loans are classified as "due to/from other funds." These amounts are eliminated in the governmental activities column of the statement of net assets. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Accrued Liabilities and Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long term debt, notes, and other obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund types statement of net assets.

In general, payables and accrued liabilities that once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of the funds. However, claims and judgements that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Payments of long-term loans that are paid from governmental funds, are recognized as an expenditure on the governmental fund financial statements when due.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as issuance costs during the current period. The face amount of the debt is reported as other financing sources. Premiums and discounts are reported as other financing sources (uses) while issuance costs are reported as expenditures.

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements
Year Ended December 31, 2006

Note 2 Summary of Significant Accounting Policies (Concluded)

D. Assets, Liabilities, and Net Assets (Concluded)

Compensated Absences

Township employees are granted vacation and personal days under formulas and conditions in the employees contract or Township policy. The vacation and personal pay are accrued in the government wide financial statements. In the fund financial statements, these amounts are reported when paid as wages.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets and capacity, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

Note 3 Stewardship, Compliance, and Accountability Budget Policy and Budgetary Accounting

Budgetary comparison schedules are required to be presented as Required Supplementary Information for the General Fund and each major Special Revenue Fund for which an annual budget has been adopted. Under the new reporting model GASB Statement No. 34 the following information is to be reported:

- Original Budget
- Final Budget
- Actual inflows, outflows and balances on a budgetary basis

The Township has presented the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Project Fund in the Budgetary Comparison Schedules as Required Supplementary Information.

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, all Special Revenue Funds, the Capital Project Fund, and the Debt Service Fund. The legal level of budgetary control is the department level. All unexpended appropriations lapse at fiscal year end. The Township does not utilize encumbrance accounting.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Township supervisor submits to the Board of Trustees a proposed operating budget for the fiscal year beginning Jan 1.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to December the budget is legally enacted through a Board resolution.
4. Any revisions of the budget must be approved by a Board resolution.
5. Budgets are adopted on a basis consistent with generally accepted accounting principles.
6. Budgeted amounts are as originally adopted, or as amended by the Board of Trustees. There were not individual amendments in relation to the original appropriation.

CHARTER TOWNSHIP OF MADISON

*Notes to Financial Statements
Year Ended December 31, 2006*

Note 4 Deposits and Investments

Statutes authorize the Township to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptances of U.S. Banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, credit unions which are insured with the applicable federal agency.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since the State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Charter Township of Madison Board has authorized five depositories: United Bank & Trust, Bank of Lenawee, Sky Bank, LaSalle Bank, and MBIA Municipal Investors Service, Corp.

Deposits are carried at cost. The carrying amount of deposits is separately displayed on the balance sheet as "Cash and money management accounts", "Certificates of Deposits", "Investments", "Restricted assets: cash in bank", and "Restricted assets: cash with fiscal agent."

Interest rate risk. The Township does not have a policy to limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The Township does have an investment policy that will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, and does limit investments to certain types of securities with low credit risk.

Concentration of credit risk. The Township does not have limits on the amount it may deposit with any one issuer or backer.

Custodial credit risk. Custodial credit risks for deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned or the Township will not be able to recover the collateral securities in the possession of an outside party. The Township has \$3,374,806 invested in certificates of deposits, checking accounts, savings accounts, money management accounts and short-term pooled investment funds. The Township's deposits are insured by the FDIC in the amount of \$400,000, with uninsured deposits of \$2,974,806. The Township's deposits are at institutions with an established record of fiscal health and service. The Township board approves and designates a list of authorized depository institutions. The Township's policy does not address deposit risk.

Foreign currency risk. The Township is not authorized to invest in investment which have this type of risk.

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2006

Note 4 Deposits and Investments (Concluded)

At year end deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>
Cash and cash equivalents	\$1,226,435	\$ 446,247	\$1,672,682	\$640,781
Temporary investments	261,247	504,885	766,132	-
Restricted cash	<u>-</u>	<u>128,086</u>	<u>128,086</u>	<u>-</u>
	<u>\$1,487,682</u>	<u>\$1,079,218</u>	<u>\$2,566,900</u>	<u>\$640,781</u>

The breakdown between deposits and investments for the Township were as follows:

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>
Bank deposits (checking accounts, savings, and certificates of deposit)	\$1,354,523	\$1,072,512	\$2,427,035	\$640,781
Petty cash	100	-	100	-
Cash with fiscal agent	-	6,706	6,706	-
Public short-term pooled investment funds held by bank depository	<u>133,059</u>	<u>-</u>	<u>133,059</u>	<u>-</u>
	<u>\$1,487,682</u>	<u>\$1,079,218</u>	<u>\$2,566,900</u>	<u>\$640,781</u>

Note 5 Marketable Securities

The Township reporting conforms to the Government Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." Under GASB 31, investments in U.S. government securities, corporate bonds and certificates of deposit with an original maturity at time of purchase of one year or less are stated at amortized cost. All other investments are recorded at fair value, based on quoted market prices.

Investments are classified into three categories of custodial credit risk as follows:

- Category 1: Insured or registered, or securities held by the entity or its agent in the entity's name.
- Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.
- Category 3: Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name. (This includes the portion of the carrying amount of any repurchase agreement that exceeds the market value of the underlying securities.)

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2006

Note 5 Marketable Securities (Concluded)

Temporary investments which are considered cash and cash equivalents of the General Fund include the following:

	<u>Cost</u>	<u>Fair Value 12/31/05</u>	<u>Purchases</u>	<u>Sales</u>	<u>Subtotal</u>	<u>Fair Value 12/31/06</u>	<u>Change in Fair Value</u>
Category 2:							
Held by Agent							
Investment pool	\$ <u>126,829</u>	\$ <u>126,829</u>	\$ <u>6,230</u>	\$ <u>-</u>	\$ <u>6,230</u>	\$ <u>133,059</u>	\$ <u>6,230</u>

Note 6 Intangible Assets

In an agreement dated May 1, 2002 Lenawee County agreed to construct the Central Lenawee Sewage Disposal System for the benefit of Madison Township and Palmyra Township. The construction was to be financed by the Lenawee County Sewage Disposal Bonds, Series 2003A.

Both Madison Township and Palmyra Township agreed to pay the cost of constructing the facility by paying bond principal and interest payments as they mature based on each Township's share of capacity.

The agreement dated May 1, 2002 states that Lenawee County owns the Central Lenawee County Sewage Disposal System and that the Townships are buying guaranteed capacity for a period of 40 years. Therefore, the \$3,533,733 that Madison Township has agreed to as its share of bond principal has been recorded on the basic financial statements as a capacity contract. The Township is currently amortizing this cost over the period of guaranteed capacity, 40 years. The annual amortization expense will be \$88,343.

Madison Township began using the system in September, 2005. For the year ended 2006 the Township recognized twelve months of amortization expense in the amount of \$88,343.

Amortization expense for each of the following five years and years thereafter are as follows:

2007	\$ 88,343
2008	88,343
2009	88,343
2010	88,343
2011	88,343
2012 to 2044	<u>2,885,884</u>
	<u>\$3,327,599</u>

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements
Year Ended December 31, 2006

Note 7 Capital Assets

A summary of changes in capital assets follows:

	Balance January 1, 2006	Additions	Deletions	Balance December 31, 2006
<u>Government Activities</u>				
Assets not being depreciated:				
Land	\$237,401	\$0	\$0	\$237,401
Capital assets being depreciated:				
Buildings and Building Improvements	759,401	0	0	759,401
Police Vehicles	58,286	0	0	58,286
Fire Vehicles	928,200	126,161	0	1,054,361
Fire Equipment	218,735	12,700	0	231,435
Ambulance Vehicles	108,900	0	0	108,900
Ambulance Equipment	75,649	0	0	75,649
Office Equipment	27,175	0	0	27,175
	2,413,747	138,861	0	2,552,608
Less accumulated depreciation for:				
Buildings and Building Improvements	(210,652)	(12,390)	0	(223,042)
Police Vehicles	(57,466)	(820)	0	(58,286)
Fire Vehicles	(516,436)	(49,910)	0	(566,346)
Fire Equipment	(50,982)	(14,392)	0	(65,374)
Ambulance Vehicles	(42,653)	(10,890)	0	(53,543)
Ambulance Equipment	(32,235)	(9,903)	0	(42,138)
Office Equipment	(20,367)	(3,175)	0	(23,542)
Total accumulated depreciation	(930,791)	(101,480)	0	(1,032,271)
Net Capital Assets	<u>\$1,482,956</u>	<u>\$37,381</u>	<u>\$0</u>	<u>\$1,520,337</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 5,502
Public safety	<u>95,978</u>

Total depreciation expense - governmental activities	<u>\$101,480</u>
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CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2006

Note 7 Capital Assets (Concluded)

	Balance January 1, 2006	Additions	Deletions	Balance December 31, 2006
<u>Business-type Activities</u>				
Capital assets not depreciated:				
Construction in process	\$510	\$0	(\$510)	\$0
Capital assets being depreciated:				
Vehicles and equipment	185,675	0	0	185,675
Buildings and improvements	31,830	0	0	31,830
Water and sewer lines	19,437,448	0	0	19,437,448
Total Capital Assets	19,655,463	0	(510)	19,654,953
Less accumulated depreciation for:				
Vehicles and equipment	(105,562)	(15,759)	0	(121,321)
Buildings and improvements	(10,991)	(1,273)	0	(12,264)
Water and sewer lines	(6,900,548)	(409,917)	0	(7,310,465)
Total Accumulated Depreciation	(7,017,101)	(426,949)	0	(7,444,050)
Business-Type Activities				
Net Capital Assets	<u>\$26,672,564</u>	<u>\$426,949</u>	<u>(\$510)</u>	<u>\$12,210,903</u>
Depreciation expense was charged to business-type functions as follows:				
Water				\$197,929
Sewer				<u>229,020</u>
Total Depreciation Expense -Business-Type Activities				<u>\$426,949</u>

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2006

Note 8

Long-Term Debt

Following is a summary of changes in long-term debt:

	Balance December 31, 2005	Additions	Deletions	Balance December 31, 2006	Due Within One Year
2003 Lenawee County Refunding Bonds for 1992 debt retirement bearing interest at rates 1.0% to 2.5%.	\$320,000	\$0	\$205,000	\$115,000	\$115,000
1995 Water Supply System General Obligation Bonds, bearing interest at rates 4.2% to 6.0%.	300,000	0	40,000	260,000	35,000
1997 contract payable to Lenawee County for water system construction bearing interest at rates 4.8% to 5.0%.	2,280,000	0	190,000	2,090,000	190,000
2003 contract payable to Lenawee County for sewage disposal system construction, bearing interest at rates 3.0% to 4.6%.	3,321,389	0	136,221	3,185,168	140,228
Total Enterprise Fund	6,221,389	0	571,221	5,650,168	480,228
2001 Special Assessment Loan issued with the Bank of Lenawee, to finance the construction of Stone Cove Road, bearing interest at 5.35%.	48,735	45,154	48,735	45,154	3,214
Compensated absences	3,330	0	0	3,330	3,330
Total General Long-Term Debt	52,065	45,154	48,735	48,484	6,544
	<u>\$6,273,454</u>	<u>\$45,154</u>	<u>\$619,956</u>	<u>\$5,698,652</u>	<u>\$486,772</u>

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2006

Note 8

Long-Term Debt (Continued)

2001 Special Assessment Loan

On December 10, 2001, the Township borrowed \$63,000 from the Bank of Lenawee to fund the cost of paving Stone Cove Pointe Road. The loan principal and interest will be repaid from the proceeds of special assessments that are being levied on the real estate along Stone Cove Pointe Road. As of December 31, 2006, \$45,154 of the promissory note was outstanding.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Interest Amount</u>	<u>Principal Amount</u>	<u>Total</u>
06/01/2007	5.350	\$ 2,416	\$ 3,214	\$ 5,630
06/01/2008	5.350	2,214	3,386	5,630
06/01/2009	5.350	2,063	3,567	5,630
06/01/2010	5.350	1,871	3,758	5,630
06/01/2011	5.350	<u>1,671</u>	<u>31,229</u>	<u>32,900</u>
		<u>\$10,265</u>	<u>\$45,154</u>	<u>\$55,420</u>

2003 Lenawee County Refunding Bonds

On August 27, 2003, the County of Lenawee issued \$700,000 of its bonds to partially fund the retirement of the 1992 Contract Payable for Water System No. 3 Construction. On September 15, 2003, Madison Township transferred \$1,141,167 from the Downtown Development Authority to the 1992 Debt Retirement Fund at Lenawee County. The combined proceeds were used to retire the remaining debt of \$1,835,000. The Township has entered into an agreement with the County, whereby the Township has agreed to make annual installment payments to the County in amounts sufficient to enable the County to retire the bond principal and interest as they come due. The Township has pledged its full faith and credit for these contractual payments to the County. As of December 31, 2006, \$115,000 of the contract payable principal was outstanding and it is recorded in the Sewer and Water Fund of the Township.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Interest Amount</u>	<u>Principal Amount</u>	<u>Total</u>
04/01/2007	2.500	<u>\$1,437</u>	<u>\$115,000</u>	<u>\$116,437</u>

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements
Year Ended December 31, 2006

Note 8

Long-Term Debt (Continued)

1995 Water Supply System Bonds

On June 1, 1995, the Township issued \$685,000 of its bonds to fund the cost of improvements to the water system. The bond principal and interest will be repaid from the proceeds of special assessments that are being charged to the users of the system improvements. As of December 31, 2006, \$260,000 of the bonds payable principal was outstanding and it is recorded in the Sewer and Water Fund of the Township.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Interest Amount</u>	<u>Principal Amount</u>	<u>Total</u>
05/01/2007	5.400	\$ 7,402	\$ 35,000	\$ 42,402
11/01/2007		6,458		6,458
05/01/2008	5.500	6,458	40,000	46,458
11/01/2008		5,358		5,358
05/01/2009	5.600	5,358	40,000	45,358
11/01/2009		4,237		4,237
05/01/2010	5.700	4,237	40,000	44,237
11/01/2010		3,097		3,097
05/01/2011	5.800	3,097	40,000	43,097
11/01/2011		1,938		1,938
05/01/2012	5.900	1,938	25,000	26,938
11/01/2012		1,200		1,200
05/01/2013	6.000	1,200	20,000	21,200
11/01/2013		600		600
05/01/2014	6.000	600	10,000	10,600
11/01/2014		300		300
05/01/2015	6.000	<u>300</u>	<u>10,000</u>	<u>10,300</u>
		<u>\$53,778</u>	<u>\$260,000</u>	<u>\$313,778</u>

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements
Year Ended December 31, 2006

Note 8

Long-Term Debt (Continued)

1997 Contract Payable to Lenawee County for Water Bonds

On July 1, 1997, the County of Lenawee issued \$3,460,000 of its bonds to partially fund the cost of improvements to the water system of the Charter Township of Madison. The Township has entered into an agreement with the County whereby the Township has agreed to make annual installment payments to the County in amounts sufficient to enable the County to retire the bond principal and interest as they come due. The Township has pledged its full faith and credit for these contractual payments to the County. As of December 31, 2005, \$2,280,000 of the contract payable principal was outstanding and it is recorded in the Sewer and Water Fund of the Township.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Interest Amount</u>	<u>Principal Amount</u>	<u>Total</u>
05/01/2007	4.875	\$ 52,036	\$ 190,000	\$ 242,036
11/01/2007		47,405		47,405
05/01/2008	4.900	47,405	190,000	237,405
11/01/2008		42,750		42,750
05/01/2009	5.000	42,750	190,000	232,750
11/01/2009		38,000		38,000
05/01/2010	5.000	38,000	190,000	228,000
11/01/2010		33,250		33,250
05/01/2011	5.000	33,250	190,000	223,250
11/01/2011		28,500		28,500
05/01/2012	5.000	28,500	190,000	218,500
11/01/2012		23,750		23,750
05/01/2013	5.000	23,750	190,000	213,750
11/01/2013		19,000		19,000
05/01/2014	5.000	19,000	190,000	209,000
11/01/2014		14,250		14,250
05/01/2015	5.000	14,250	190,000	204,250
11/01/2015		9,500		9,500
05/01/2016	5.000	9,500	190,000	199,500
11/01/2016		4,750		4,750
05/01/2017	5.000	<u>4,750</u>	<u>190,000</u>	<u>194,750</u>
		<u>\$574,346</u>	<u>\$2,090,000</u>	<u>\$2,664,346</u>

2003 Contract Payable to Lenawee County for Sewage Disposal System Bonds

On April 16, 2003, the County of Lenawee issued \$4,410,000 of its bonds to fund the costs of constructing, maintaining and operating a sewage disposal system within the County, with the Charter Township of Madison's share equaling \$3,533,733. The sewage disposal system will serve property in the Township of Palmyra and the Charter Township of Madison. The Charter Township of Madison is financing part of their portion of the costs through a settlement it reached with the State of Michigan regarding the connection charges for its prison facilities. The State has agreed to pay Madison \$2,700,000 plus interest, in 240 equal monthly installments.

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements
Year Ended December 31, 2006

Note 8

Long-Term Debt (Continued)

2003 Contract Payable to Lenawee County for Sewage Disposal System Bonds (Continued)

<u>Due Date</u>	<u>Interest Rate</u>	<u>Interest Amount</u>	<u>Principal Amount</u>	<u>Totals</u>
04/01/2007		\$79,594		\$79,594
10/01/2007	3.000	79,594	\$175,000	254,594
04/01/2008		76,969		76,969
10/01/2008	3.250	76,969	180,000	256,969
04/01/2009		74,044		74,044
10/01/2009	3.375	74,044	180,000	254,044
04/01/2010		71,006		71,006
10/01/2010	3.375	71,006	190,000	261,006
04/01/2011		67,800		67,800
10/01/2011	3.500	67,800	195,000	262,800
04/01/2012		64,388		64,388
10/01/2012	3.650	64,388	200,000	264,388
04/01/2013		60,737		60,737
10/01/2013	3.750	60,737	210,000	270,737
04/01/2014		56,800		56,800
10/01/2014	3.850	56,800	220,000	276,800
04/01/2015		52,565		52,565
10/01/2015	3.950	52,565	225,000	277,565
04/01/2016		48,121		48,121
10/01/2016	4.050	48,121	235,000	283,121
04/01/2017		43,363		43,363
10/01/2017	4.150	43,363	245,000	288,363
04/01/2018		38,278		38,278
10/01/2018	4.250	38,278	255,000	293,278
04/01/2019		32,860		32,860
10/01/2019	4.350	32,860	265,000	297,860
04/01/2020		27,096		27,096
10/01/2020	4.400	27,096	280,000	307,096
04/01/2021		20,936		20,936
10/01/2021	4.500	20,936	295,000	315,936
04/01/2022		14,299		14,299
10/01/2022	4.550	14,299	305,000	319,299
04/01/2023		7,360		7,360
10/01/2023	4.600	7,360	320,000	327,360
		<u>\$1,672,432</u>	<u>\$3,975,000</u>	<u>\$5,647,432</u>
		\$1,672,432	\$3,975,000	\$5,647,432
		<u>x .8013</u>	<u>x .8013</u>	<u>x .8013</u>
Madison Township's portion		<u>\$1,340,120</u>	<u>\$3,185,168</u>	<u>\$4,525,288</u>

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2006

Note 8

Long-Term Debt (Concluded)

2003 Contract Payable to Lenawee County for Sewage Disposal System Bonds (Concluded)

Allocation of debt service costs is based on Madison's share of the system which includes the construction of approximately 8,500 feet of sewer main and its share of the plant capacity based on the total number of residential equivalent units (REU's). As of December 31, 2006, the Charter Township of Madison's allocation is 80.13%.

The annual requirements to pay principal and interest on long-term debt outstanding at December 31, 2006, excluding compensated absences, are as follows:

<u>Fiscal Years</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$3,214	\$2,416	\$5,630
2008	3,386	2,244	5,630
2009	3,567	2,063	5,630
2010	3,759	1,871	5,630
2011	31,228	1,671	32,899
	<u>\$45,154</u>	<u>\$10,265</u>	<u>\$55,419</u>

<u>Fiscal Years</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$480,228	\$242,295	\$722,523
2008	374,234	225,322	\$599,556
2009	374,234	209,008	\$583,242
2010	382,247	192,378	\$574,625
2011	386,254	175,441	\$561,695
2012-2016	1,888,418	625,301	\$2,513,719
2017-2021	1,263,744	265,225	\$1,528,969
2022-2026	500,809	34,711	\$535,520
	<u>\$5,650,168</u>	<u>\$1,969,681</u>	<u>\$7,619,849</u>

Note 9

Property Taxes

The Township bills and collects its own property taxes and also taxes for the County of Lenawee, Adrian Public Schools, Madison School District, Sand Creek Community Schools and the Lenawee County Intermediate School District. Collections are accounted for in the Tax Collection Agency Fund. For 2006, the Township levied, on December 31, 2005 1.00 mills for general operating, .9869 mills for fire operating and 1.1842 mills for road maintenance due and payable on February 14, 2006. The valuation for real and personal property totaled \$185,700,754 which was based on December 31, 2005 assessments.

The taxes receivable of \$2,155,045 and the \$2,764,736 liability to the taxing authorities reflected in the Tax Collection Agency Fund relate to the December 2006 tax bills. The Township's share of these taxes will be reflected as revenues in 2007.

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements *Year Ended December 31, 2006*

Note 10 Tax Increment Financing

Tax increment financing is the setting aside of the taxes generated by an increase in the assessed value of the designated properties for a specific purpose.

On March 13, 1990, the Township adopted a Tax Increment Financing Authority plan for the Madison Downtown Development District as allowed under the Downtown Development Act, Act No. 197 of the Public Acts of 1975. The plan is devoted to the planned and orderly revitalization of the downtown business district. For the fiscal year ended December 31, 2006, the Downtown Development Authority Special Revenue Fund recorded \$804,668 as property tax revenue generated from the downtown development district. However, an undetermined amount must be repaid to the County, Schools, and ISD as part of a settlement for excess captured school taxes.

Note 11 Segment Information for Enterprise Fund

The Township maintains one Enterprise Fund which provides water and sanitary sewer services to Township residents and businesses. Segment information for the year ended December 31, 2006 follows:

	<u>Combined</u>	<u>Water</u>	<u>Sewer</u>
Operating revenues	\$ 1,173,423	\$ 330,261	\$ 843,162
Depreciation and amortization	528,379	211,206	317,363
Operating income (loss)	(370,223)	(46,148)	(324,075)
Net income (loss) before contributions and transfers	(402,854)	(74,512)	(328,342)
Contributed capital	185,601	69,268	116,333
<u>Property and equipment:</u>			
Additions	-		
Bonds and contracts payable	5,650,168		
Total assets	20,731,074		
Total net assets	14,901,999		

Note 12 Connection Fees and Special Assessment Receivable

On December 20, 2002, the Charter Township of Madison, Lenawee County, Michigan entered into an agreement with the State of Michigan Department of Management and Budget, Office of Infrastructure Services, acting on behalf of the Michigan Department of Corrections. The agreement outlines the terms and conditions under which the existing sanitary sewer collection facilities at the Gus Harrison Correctional Facility and the Parr Highway Correctional Facility are to be connected to the new Central Lenawee Sewage Disposal System. In consideration for allocating 900 REUs (Residential Equivalent Units) of Madison Township's capacity, the State shall pay a connection charge to Madison Township in the amount of \$2,700,000 (representing 900 REUs at \$3,000 per REU) payable in 240 consecutive monthly installments together with interest on the unpaid balance. Payments were to commence on the first day of the month following the date on which the facilities are connected to the newly completed system with an effective interest rate of 4.22% (the average rate of the Sewage Disposal System Bonds used to fund the construction of the facility). The \$2,700,000 has been included in the Statement of Activities as an operating contribution in the Government-wide Statements and also included in connections fees under Capital Contributions in the Statement of Revenues, Expenses and Changes in Net Assets-Proprietary Funds. As of December 31, 2006 the State had an unpaid balance for sewer connection fees in the amount \$2,504,847. This amount is included in the amount reported for Special assessments receivable in the Statement of Net Assets-Proprietary Funds.

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2006

Note 12 Connection Fees and Special Assessment Receivable (Concluded)

A summary of the total collections per year remaining due from the state follows:

<u>Year of Collections</u>	<u>Interest Amount</u>	<u>Principal Amount</u>	<u>Totals</u>
2007	\$120,768	\$112,698	\$233,466
2008	99,008	101,106	200,114
2009	94,658	105,456	200,114
2010	90,121	109,993	200,114
2011	85,388	114,726	200,114
2012	80,452	119,662	200,114
2013	75,303	124,811	200,114
2014	69,933	130,181	200,114
2015	64,332	135,782	200,114
2016	58,490	141,624	200,114
2017	52,396	147,718	200,114
2018	46,041	154,073	200,114
2019	39,412	160,702	200,114
2020	32,497	167,617	200,114
2021	25,286	174,828	200,114
2022	17,764	182,350	200,114
2023	9,917	190,197	200,114
2024	2,095	131,323	133,418
	<u>\$1,063,861</u>	<u>\$2,504,847</u>	<u>\$3,568,708</u>

Note 13 Interfund Receivable and Payable Balances

Balances as of December 31, 2006 were:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund:		
Water and Sewer Fund	\$ 76,708	
Building Department Fund	11,716	
Water/Sewer:		
Road Construction Fund	50,000	
General Fund		\$ 76,708
Building Department:		
General Fund		11,716
Road Construction Fund:		
Water and Sewer Fund		<u>50,000</u>
	<u>\$138,424</u>	<u>\$138,424</u>

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2006

Note 14 Compensated Absences

The Township allows employees to accumulate vacation days; however, did not record any changes in accrued accumulated vacation pay as of December 31, 2006. The accumulated vacation pay is accrued in the Government-Wide financial statements. In the fund financial statements these amounts are reported when paid.

Note 15 Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (workman's compensation). The Township has purchased commercial insurance for property loss, torts, errors, omissions and employee injuries.

Note 16 Unemployment Compensation

Effective January 1, 1975, political subdivisions became subject to the Michigan Employment Security Act. The Township, instead of paying regular contributions to the State Unemployment Fund, has elected to make reimbursement payments. Reimbursement payments made during the fiscal year ended December 31, 2006 were \$10,191.

Note 17 Retirement Commitments

Plan Description

The Charter Township of Madison is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS), administered by the State of Michigan. The Township's covered payroll for employees covered by the system for the year ended December 31, 2006 was \$414,509 out of a total of \$662,744.

All full time Township employees are eligible to participate in MERS. Benefits vest after 10 years of service. Township employees who retire at or after age 60 with 10 years, age 55 with 15 years, and age 50 with 25 years of credited service are entitled to an annual retirement benefit of 2.0% of a members five year final average compensation, payable until attainment of the age at which unreduced social security benefits are available (currently age 65 for normal retirement, gradually increasing to age 67). Upon attainment of this age, the benefit reverts to 1.7% of a members five year final average compensation. The system also provides disability retirement allowance, non duty death allowance, duty connected death and post retirement adjustments. These benefit provisions and all other requirements are established by state statute and Township Council resolution.

The Municipal Employees Retirement System of Michigan issues a publically available financial report which may be obtained by writing to MERS, 447 North Canal Road, Lansing, Michigan, 48197.

Funding Policy

Employees contribute 5.0% of their wages to the plan. The Township is required to contribute the remaining amounts necessary to fund the system, using the actuarial basis specified by State statute. The Township's annual required contribution was \$29,036 for the fiscal year ending December 31, 2006. The contribution requirements of plan members and the Township are established by the Township and by the MERS Board of Trustees. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age normal cost method.

Significant actuarial assumptions include 1) a rate of return on the investment of present and future assets of 8.0% per year compounded annually 2) projected salary increases of 4.5% per year compounded annually, attributable to inflation 3) additional projected salary increases ranging from 0.0% to 4.16% per year, depending on age, attributable to seniority/merit and 4) the assumption that benefits will increase 2.5% per year (annually) after retirement.

CHARTER TOWNSHIP OF MADISON

Notes to Financial Statements Year Ended December 31, 2006

Note 17 Retirement Commitments (Concluded)

Funding Policy (Concluded)

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The Township's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over 30 years.

Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years.

The contribution to MERS for the year ended December 31, 2006, of \$51,494 was made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of December 31, 2005. The Township contributed \$29,036 and employees contributed \$22,458.

Three-year Trend Information

	Valuation Ended December 31,		
	2003	2004	2005
Actuarial value of assets	\$359,081	\$403,875	\$446,565
Actuarial accrued liability			
(entry age)	511,369	620,479	600,710
Unfunded (overfunded) AAL	152,288	216,604	154,145
Funded ratio	70%	65%	74%
Annual covered payroll	352,840	450,529	407,485
UAAL as a percentage of annual covered payroll	43%	48%	38%

Note 18 Excess of Expenditures over Appropriations

During the year ended December 31, 2006, the Township incurred the following instances of expenditures in excess of amounts appropriated.

Fund	Appropriation	Expenditure	Excess Expenditures
Downtown Development Authority	\$ -	\$ 27,764	\$27,764
Building Department	61,475	61,930	455
Stone Cove Point Fund	5,540	5,630	90
Road Construction Fund	293,106	294,225	1,119

Note 19 Fund Balance Deficit

Road Construction Fund	\$85,732
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CHARTER TOWNSHIP OF MADISON

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes:				
Property taxes	\$167,700	\$167,700	\$175,125	\$7,425
Income in lieu of property taxes	12,500	12,500	14,719	2,219
Industrial facilities tax	4,000	4,000	3,602	(398)
Penalties & interest on taxes	1,500	1,500	347	(1,153)
	<u>185,700</u>	<u>185,700</u>	<u>193,793</u>	<u>8,093</u>
Licenses and Permits:				
Business licenses and permits	3,000	3,000	6,628	3,628
State Grants:				
State revenue sharing	500,000	500,000	493,748	(6,252)
Liquor license fees	2,542	2,542	2,203	(339)
	<u>502,542</u>	<u>502,542</u>	<u>495,951</u>	<u>(6,591)</u>
Charges for services	18,500	18,500	8,354	(10,146)
Fines and Forfeits:				
Fines	7,000	7,000	21,757	14,757
Interest and Rentals:				
Interest	3,000	3,000	11,336	8,336
Property rental	10,500	10,500	13,430	2,930
Equipment rental	0	0	1,087	1,087
	<u>13,500</u>	<u>13,500</u>	<u>25,853</u>	<u>12,353</u>
Ambulance services	260,000	260,000	362,279	102,279
Other Revenue:				
Other revenue	10,131	10,131	20,682	10,551
Total Revenues	<u>1,000,373</u>	<u>1,000,373</u>	<u>1,135,297</u>	<u>134,924</u>
Expenditures				
Legislative:				
Township Board	31,146	31,146	27,942	3,204
General government:				
Supervisor	25,388	25,388	19,328	6,060
Elections	6,900	6,900	2,791	4,109
Assessor	35,200	35,200	38,005	(2,805)
Attorney	22,000	22,000	11,995	10,005
Clerk	33,313	33,313	35,050	(1,737)
Payroll services	2,100	2,100	2,040	60
Audit	15,000	15,000	10,000	5,000
Treasurer	30,187	30,187	34,550	(4,363)
Total General Government	<u>170,088</u>	<u>170,088</u>	<u>153,759</u>	<u>16,329</u>

CHARTER TOWNSHIP OF MADISON

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual

Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Expenditures (Concluded)				
Public Safety:				
Fire protection	\$270,405	\$270,405	\$232,646	\$37,759
Police department	177,535	177,535	151,975	25,560
Zoning inspector	5,500	5,500	3,543	1,957
Ambulance	302,191	302,191	295,577	6,614
Total Public Safety	755,631	755,631	683,741	71,890
Public Works:				
Street lighting	36,500	36,500	38,332	(1,832)
Trash pickup	0	0	13,689	(13,689)
Drains at large	2,000	2,000	4,231	(2,231)
Total Public Works	38,500	38,500	56,252	(17,752)
Other Functions				
Planning and zoning	1,000	1,000	2,135	(1,135)
Zoning board of appeals	450	450	460	(10)
Board of review	870	870	966	(96)
Cemetery care	2,500	2,500	2,614	(114)
Township Office	52,500	52,500	58,724	(6,224)
Insurance	80,000	80,000	50,075	29,925
Total Other Functions	137,320	137,320	114,974	22,346
Total Expenditures	1,132,685	1,132,685	1,036,668	96,017
Excess (Deficiency) of Revenues Over Expenditures	(132,312)	(132,312)	98,629	230,941
Other Financing Sources (Uses)				
Operating transfers in	78,338	78,338	0	(78,338)
Total Other Financing Sources (Uses)	78,338	78,338	0	(78,338)
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(53,974)	(53,974)	98,629	152,603
Fund Balances - Beginning of Year	556,718	556,718	556,718	0
Fund Balances - End of Year	\$502,744	\$502,744	\$655,347	\$152,603

CHARTER TOWNSHIP OF MADISON

General Fund

Detailed Budgetary Comparison Schedule Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Legislative				
Township Board:				
Salaries	\$14,160	\$14,160	\$14,160	\$0
Benefits	1,086	1,086	1,071	15
Memberships and dues	9,000	9,000	7,941	1,059
Education	1,900	1,900	351	1,549
Supplies	2,000	2,000	1,384	616
Miscellaneous	3,000	3,000	3,035	(35)
	31,146	31,146	27,942	3,204
General Government				
Supervisor:				
Salaries	22,655	22,655	17,644	5,011
Benefits	1,733	1,733	1,334	399
Education	1,000	1,000	350	650
	25,388	25,388	19,328	6,060
Elections:				
Fees & wages	2,500	2,500	2,626	(126)
Supplies	3,700	3,700	0	3,700
Printing and publishing	700	700	0	700
Miscellaneous	0	0	165	(165)
	6,900	6,900	2,791	4,109
Assessor:				
Contracted Services	34,200	34,200	33,850	350
Printing and publishing	1,000	1,000	4,155	(3,155)
	35,200	35,200	38,005	(2,805)
Attorney:				
Legal fees	22,000	22,000	11,995	10,005
Clerk:				
Salaries	25,000	25,000	24,996	4
Benefits	1,913	1,913	1,913	0
Mileage	0	0	629	(629)
Supplies	300	300	2,283	(1,983)
Education	1,000	1,000	856	144
Printing and publishing	5,000	5,000	4,373	627
Miscellaneous	100	100	0	100
	33,313	33,313	35,050	(1,737)
Payroll Services:				
Contracted Services	2,100	2,100	2,040	60
Independent Audit:				
Auditing fees	15,000	15,000	10,000	5,000

CHARTER TOWNSHIP OF MADISON

General Fund

Detailed Budgetary Comparison Schedule

Year Ended December 31, 2006

(Continued)

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Treasurer:				
Salaries	\$25,000	\$25,000	\$24,996	\$4
Benefits	1,913	1,913	1,890	23
Supplies	500	500	333	167
Postage	0	0	5,000	(5,000)
Printing and publishing	2,000	2,000	1,017	983
Education	450	450	661	(211)
Miscellaneous	324	324	653	(329)
	<u>30,187</u>	<u>30,187</u>	<u>34,550</u>	<u>(4,363)</u>
 Total General Government	 170,088	 170,088	 153,759	 16,329
 Public Safety				
Fire Protection:				
Salaries	149,016	149,016	136,425	12,591
Benefits	66,689	66,689	45,444	21,245
Contracted Services	6,500	6,500	7,015	(515)
Office supplies	4,200	4,200	5,067	(867)
Operating supplies	1,200	1,200	2,049	(849)
Gas and oil	3,000	3,000	4,489	(1,489)
Uniforms and laundry	3,000	3,000	480	2,520
Buildings and grounds maintenance	3,000	3,000	347	2,653
Radio maintenance	4,000	4,000	(687)	4,687
Other maintenance	3,500	3,500	(173)	3,673
Transportation	1,500	1,500	658	842
Telephone	12,000	12,000	16,036	(4,036)
Printing	500	500	886	(386)
Utilities - electric	0	0	3,872	(3,872)
Utilities - heat	0	0	752	(752)
Utilities - water(hydrant rental)	300	300	300	0
Memberships and dues	4,000	4,000	4,019	(19)
Training	3,500	3,500	0	3,500
Physicals	2,000	2,000	3,427	(1,427)
Equipment	0	0	219	(219)
Miscellaneous	2,500	2,500	2,021	479
	<u>270,405</u>	<u>270,405</u>	<u>232,646</u>	<u>37,759</u>

CHARTER TOWNSHIP OF MADISON

General Fund

Detailed Budgetary Comparison Schedule

Year Ended December 31, 2006

(Continued)

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Police Protection:				
Salaries	\$101,721	\$101,721	\$102,961	(\$1,240)
Benefits	51,168	51,168	29,132	22,036
Supplies	2,500	2,500	1,013	1,487
Vehicle maintenance	3,000	3,000	2,138	862
Training	1,800	1,800	1,288	512
Physicals	400	400	0	400
Fuel	5,700	5,700	5,238	462
Dues and subscriptions	1,500	1,500	1,575	(75)
Uniform expense	2,000	2,000	1,522	478
Cell phone	1,400	1,400	0	1,400
Capital outlay	6,096	6,096	6,639	(543)
Miscellaneous	250	250	469	(219)
	177,535	177,535	151,975	25,560
Zoning Inspector:				
Fees	5,000	5,000	3,330	1,670
Supplies	50	50	0	50
Education	150	150	0	150
Transportation	300	300	213	87
	5,500	5,500	3,543	1,957
Ambulance:				
Salaries	185,000	185,000	199,840	(14,840)
Benefits	93,691	93,691	79,077	14,614
Vehicles expense	10,500	10,500	8,463	2,037
Supplies	8,000	8,000	6,387	1,613
Licenses	1,500	1,500	928	572
Education	3,500	3,500	882	2,618
	302,191	302,191	295,577	6,614
Total Public Safety	755,631	755,631	683,741	71,890
Public Works				
Street Lighting:				
Utilities	36,500	36,500	38,332	(1,832)
Trash Pickup:				
Contract Services	0	0	13,689	(13,689)
	0	0	13,689	(13,689)
Drains at large	2,000	2,000	4,231	(2,231)
Total Public Works	38,500	38,500	56,252	(17,752)

CHARTER TOWNSHIP OF MADISON

General Fund

Detailed Budgetary Comparison Schedule Budget and Actual Year Ended December 31, 2006 (Concluded)

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Other Functions				
Planning and Zoning:				
Fees	\$1,000	\$1,000	\$1,960	(\$960)
Supplies	0	0	175	(175)
	1,000	1,000	2,135	(1,135)
Zoning Board of Appeals:				
Fees	450	450	460	(10)
Board of Review:				
Fees	720	720	840	(120)
Supplies	150	150	126	24
	870	870	966	(96)
Cemetery Care:				
Maintenance	1,500	1,500	2,089	(589)
Supplies	1,000	1,000	525	475
	2,500	2,500	2,614	(114)
Township Office:				
Clerical wages	20,000	20,000	23,186	(3,186)
Benefits	0	0	1,641	(1,641)
Repairs and maintenance	0	0	5,148	(5,148)
Printing and Publishing	0	0	2,767	(2,767)
Postage	0	0	1,000	(1,000)
Electric	16,000	16,000	10,741	5,259
Heat	14,000	14,000	10,402	3,598
Supplies	2,500	2,500	3,839	(1,339)
	52,500	52,500	58,724	(6,224)
Insurance (Bonds & Liability)	80,000	80,000	50,075	29,925
Total Other Functions	137,320	137,320	114,974	22,346
Total Expenditures	\$1,132,685	\$1,132,685	\$1,036,668	\$96,017

CHARTER TOWNSHIP OF MADISON

Downtown Development Authority

Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Taxes:				
Property taxes	\$719,245	\$719,245	\$804,668	\$85,423
Interest	4,000	4,000	23,209	19,209
Total Revenues	723,245	723,245	827,877	104,632
Expenditures				
Other Functions:				
Legal expenses	0	0	164	(164)
Capital Outlay:				
Capital outlay	0	0	27,600	(27,600)
Total Expenditures	0	0	27,764	(27,764)
Excess of Revenues Over Expenditures	723,245	723,245	800,113	76,868
Other Financing Sources (Uses)				
Operating transfers out	0	0	(209,925)	(209,925)
Total Other Financing Sources (Uses)	0	0	(209,925)	(209,925)
Excess of Revenues Over Expenditures and Other Uses	723,245	723,245	590,188	(133,057)
Fund Balance - Beginning of Year	173,453	173,453	173,453	0
Fund Balance - End of Year	\$896,698	\$896,698	\$763,641	(\$133,057)

CHARTER TOWNSHIP OF MADISON

Building Department

Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Building permit fees	\$24,000	\$24,000	\$27,822	\$3,822
Electrical permit fees	16,650	16,650	15,430	(1,220)
Mechanical permit fees	12,100	12,100	10,549	(1,551)
Plumbing permit fees	12,100	12,100	7,446	(4,654)
Plan review fees	1,600	1,600	1,153	(447)
Interest	500	500	1,138	638
Total Revenues	66,950	66,950	63,538	(3,412)
Expenditures				
Building Inspector:				
Fees	16,500	16,500	19,298	(2,798)
Mileage	1,300	1,300	1,334	(34)
Supplies	50	50	0	50
Education	500	500	237	263
	18,350	18,350	20,869	(2,519)
Electrical inspector:				
Fees	11,600	11,600	10,934	666
Mileage	675	675	556	119
Supplies	50	50	0	50
Education	500	500	500	0
	12,825	12,825	11,990	835
Mechanical inspector:				
Fees	8,250	8,250	10,399	(2,149)
Mileage	425	425	306	119
Supplies	50	50	0	50
Education	1,000	1,000	558	442
	9,725	9,725	11,263	(1,538)
Plumbing inspector:				
Fees	6,750	6,750	4,341	2,409
Mileage	425	425	312	113
Supplies	50	50	0	50
Education	500	500	479	21
	7,725	7,725	5,132	2,593
Other:				
Salaries	10,000	10,000	10,000	0
Benefits	800	800	765	35
Dues and subscriptions	50	50	0	50
Auditing fees	1,000	1,000	1,000	0
Miscellaneous	1,000	1,000	911	89
	12,850	12,850	12,676	174
Total Expenditures	61,475	61,475	61,930	(455)
Excess (Deficiency) of Revenues Over Expenditures	5,475	5,475	1,608	(3,867)
Fund Balance - Beginning of Year	33,901	33,901	33,901	0
Fund Balance - End of Year	\$39,376	\$39,376	\$35,509	(\$3,867)

CHARTER TOWNSHIP OF MADISON

Fire Building and Apparatus Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Taxes:				
Property taxes	\$167,700	\$167,700	\$161,582	(\$6,118)
Income in lieu of taxes	12,500	12,500	14,719	2,219
Industrial facilities tax	0	0	3,555	3,555
Interest	1,500	1,500	7,253	5,753
Total Revenues	181,700	181,700	187,109	5,409
Expenditures				
Other Functions:				
Capital Outlay	330,725	330,725	184,679	146,046
Total Expenditures	330,725	330,725	184,679	146,046
Excess (Deficiency) of Revenues over Expenditures	(149,025)	(149,025)	2,430	151,455
Fund Balance - Beginning of Year	243,498	243,498	243,498	0
Fund Balance - End of Year	\$94,473	\$94,473	\$245,928	\$151,455

CHARTER TOWNSHIP OF MADISON

Stone Cove Point Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Taxes:				
Assessments	\$1,834	\$1,834	\$2,169	\$335
Assessment interest	2,262	2,262	2,721	459
Interest	0	0	254	254
Total Revenues	4,096	4,096	5,144	1,048
Expenditures				
Debt Service:				
Principal	3,347	3,347	3,581	(234)
Interest	2,193	2,193	2,049	144
Total Expenditures	5,540	5,540	5,630	(90)
Excess (Deficiency) of Revenues Over Expenditures	(1,444)	(1,444)	(486)	958
Fund Balance - Beginning of Year	9,910	9,910	9,910	0
Fund Balance - End of Year	<u>\$8,466</u>	<u>\$8,466</u>	<u>\$9,424</u>	<u>\$958</u>

CHARTER TOWNSHIP OF MADISON

Road Construction Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Property taxes	\$197,906	\$197,906	\$193,886	(\$4,020)
Income in lieu of taxes	15,291	15,291	17,663	2,372
Industrial facilities taxes	0	4,265	4,265	0
Permits and fees	3,000	3,000	4,593	1,593
Interest	0	3,000	3,628	628
Total Revenues	216,197	223,462	224,035	573
Expenditures				
Capital outlay:				
Highways and streets	225,000	293,106	294,225	(1,119)
Total Expenditures	225,000	293,106	294,225	(1,119)
Excess (Deficiency) of Revenues Over Expenditures	(8,803)	(69,644)	(70,190)	(546)
Fund Balance (Deficit) - Beginning of Year	0	0	(15,542)	(15,542)
Fund Balance (Deficit) - End of Year	<u>(\$8,803)</u>	<u>(\$69,644)</u>	<u>(\$85,732)</u>	<u>(\$16,088)</u>

CHARTER TOWNSHIP OF MADISON

Agency Funds

Combining Statement of Changes in Assets and Liabilities Year Ended December 31, 2006

CURRENT TAX COLLECTION FUND

	Beginning Balance	Additions	Deductions	Ending Balance
Assets				
Cash in bank	\$689,487	\$3,330,109	\$3,409,905	\$609,691
Taxes receivable	2,046,533	3,438,621	3,330,109	2,155,045
Total Assets	<u>\$2,736,020</u>	<u>\$6,768,730</u>	<u>\$6,740,014</u>	<u>\$2,764,736</u>
Liabilities				
Due to taxing units	<u>\$2,736,020</u>	<u>\$3,438,621</u>	<u>\$3,409,905</u>	<u>\$2,764,736</u>
Total Liabilities	<u>\$2,736,020</u>	<u>\$3,438,621</u>	<u>\$3,409,905</u>	<u>\$2,764,736</u>

COUNTRY SIDE ESCROW BOND

Assets				
Cash in bank	<u>\$30,950</u>	<u>\$830</u>	<u>\$690</u>	<u>\$31,090</u>
Total Assets	<u>\$30,950</u>	<u>\$830</u>	<u>\$690</u>	<u>\$31,090</u>
Liabilities				
Performance bond payable	<u>\$30,950</u>	<u>\$830</u>	<u>\$690</u>	<u>\$31,090</u>
Total Liabilities	<u>\$30,950</u>	<u>\$830</u>	<u>\$690</u>	<u>\$31,090</u>

TOTAL AGENCY FUNDS

Assets				
Cash in bank	\$720,437	\$3,330,939	\$3,410,595	\$640,781
Taxes receivable	2,046,533	3,438,621	3,330,109	2,155,045
Total Assets	<u>\$2,766,970</u>	<u>\$6,769,560</u>	<u>\$6,740,704</u>	<u>\$2,795,826</u>
Liabilities				
Performance bond payable	\$30,950	\$830	\$690	\$31,090
Due to taxing units	2,736,020	3,438,621	3,409,905	2,764,736
Total Liabilities	<u>\$2,766,970</u>	<u>\$3,439,451</u>	<u>\$3,410,595</u>	<u>\$2,795,826</u>



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Charter Township of Madison
4008 S. Adrian Highway
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Report of Comments and Recommendations

Board Members:

Our audit of the financial statements of the Charter Township of Madison for the year ended December 31, 2006, was made in accordance with auditing standards generally accepted in the United States of America. These standards require, in addition to obtaining competent evidential matter through inspection, observation, inquiry and confirmation, that we determine that existing internal controls, accounting procedures and accounting records are adequate to allow us to express an opinion on the financial statements of the Township. During the course of our audit, we noted certain practices and procedures which we believe could be changed to improve existing internal controls, accounting procedures and records, and other matters.

We remind you that the following comments, and where appropriate, recommendations are somewhat limited because they are not the result of a detailed systems analysis.

Improper and Illegal Actions

Nothing came to our attention during the course of the audit to indicate any improper or illegal actions.

Interfund Receivable and Payable Balances

Balances as of December 31, 2006 were:

	Interfund Receivable	Interfund Payable
General Fund:		
Water and Sewer Fund	\$ 76,708	
Building Department Fund	11,716	
Water/Sewer:		
Road Construction Fund	50,000	
General Fund		\$ 76,708
Building Department:		
General Fund		11,716
Road Construction Fund:		
Water and Sewer Fund		50,000
	<u>\$138,424</u>	<u>\$138,424</u>

Chart of Accounts

Effective January 1, 2006, the Township started its Fund Balance Program over with a new correct chart of accounts. During our audit we recommended some account coding changes for certain transactions.

Ambulance Revenue

During our review of ambulance revenue, we noted that the revenue as reported by the fire department did not reconcile to the revenue on the general ledger, and that amounts collected for and payable to other units of governments did not reconcile to the amounts actually paid to the other units of government.

We recommend the following:

- ▶ Reconcile the fire department's ambulance accounts receivable balance to the general ledger balance on a monthly basis.
- ▶ Reconcile the revenues collected and payable to other units of government to the general ledger on a monthly basis.
- ▶ Put written ambulance revenues policies and procedures in place.

Water and Sewer Revenues

During our review of water and sewer revenues, we noted that the revenues on the billing department's computer printouts could not be reconciled to the general ledger. In addition, we noted that the water and billing process internal controls continue to be very weak because the entire process was mainly controlled by one person.

We recommend that the Township provide for stronger internal controls by instituting the following:

- ▶ Provide for a greater segregation of duties by involving additional personnel in the billing and collection process.
- ▶ Require prior written approval before adjustments are made to customer billings.
- ▶ Start recording water and sewer revenue from monthly customer billing registers by posting billings to accounts receivable.
- ▶ Start recording water and sewer collections from daily or monthly cash receipt registers by crediting total amounts paid to accounts receivable.
- ▶ Reconcile the billing department's accounts receivable balance to the general ledger balance on a monthly basis.
- ▶ Provide a method of tracing new water and sewer taps into the billing register.
- ▶ Put written water and sewer policies and procedures in place.

Township Charge Accounts

The Township has several charge accounts with local merchants.

We recommend that a list of these be prepared and submitted to the Township Board for approval and that no other charge accounts be opened without prior Board approval.

Transfers

We recommend that all transfers, including budgeted transfers, be approved in the minutes.

Accounting Policies and Procedures Manual

Because of the growing complexity of the Township's finances and to assist in improving internal control, we recommend the development of an accounting policies and procedures manual. This manual would define procedures and documentation required for various financial transactions such as:

- Cash receipts
- Cash disbursements
- Ambulance service revenues
- Special assessments
- Bank account reconciliations
- Payroll
- Water and sewer billings

In addition to strengthening internal controls, such a manual would provide for continuity as new staff is hired and new board members are elected.

Budgets

During the 2006 fiscal year, the following funds had expenditures which exceeded appropriations.

	<u>Downtown Development Authority</u>	<u>Building Department</u>	<u>Stone Cove Point Fund</u>	<u>Road Construction Fund</u>
Appropriations	\$ -	\$61,475	\$5,540	\$293,106
Expenditures	<u>27,764</u>	<u>61,930</u>	<u>5,630</u>	<u>294,225</u>
Total	<u>\$27,764</u>	<u>\$ 455</u>	<u>\$ 90</u>	<u>\$ 1,119</u>

We recommend that the Township Board approve budget amendments before expenditures exceed the budget.

Deficit Fund Balance

As of December 31, 2006, there was a fund deficit in the Road Construction Fund of \$85,732. The State of Michigan requires that municipalities with deficit fund balances submit a plan to eliminate these deficit fund balances. We recommend that the Township submit this plan as soon as possible.

We also recommend that the Township review its fund balances prior to the end of its fiscal year and take corrective action to prevent fund balance deficits in the future.

Deposits and Investments

Interest rate risk - The Township's investment policy does not limit investment maturities as a means of managing its exposure to the fair value losses arising from increasing interest rates.

Concentration of credit risk - The Township's investment policy refers to diversification as a method of avoiding an over concentration in securities from a specific issuer or business sector. However, the Township does not have limits on the amount the Township may deposit with any one issuer or backer.

Board of Trustees
Charter Township of Madison

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It has been a pleasure to serve you and we appreciate the cooperation we received during the audit. We are available to meet with you at any time to answer questions concerning this letter or the 2006 audit report.

Very truly yours,

Coolidge Hall Wollgast & Carlin, PLLC

January 19, 2007